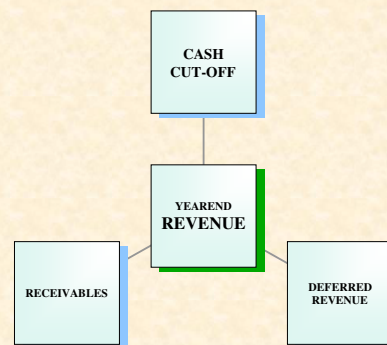


Yearend Revenue Accounting

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THREE FOCUS AREAS

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Objectives

- Correctly cut-off cash between fiscal years.
- To understand the yearend accrual needs for receivables and deferred revenue

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State of Utah
Department of Administrative Services
Division of Finance
Fiscal Year 2010

Detailed Closing Instructions and Examples

Page

- 1 General Information
- 1 JVYE Closing for Accruals and Deferrals
- 10 Revenue, Receivable, and Cash Cutoff
- 17 Deferred Revenue
- 19 Old and New Year Payments

Location:

www.finance.utah.gov >
Financial Reporting section (on the webpage header row)
>Budget and Accounting Officer Meeting Handouts >
Detail Closing Instructions and Examples

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FINET On-Line Helps

Revenue Earned	
Revenue Earned Prior to July 1	Revenue Earned After June 30
Treatment: Old Year cash	Treatment: Old Year cash
Old Year revenue	Old Year revenue
Documents: Old Year CR	Documents: Old Year CR
Examples: Examples	Examples: Examples

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TOP-NOTES

- It is critical that cash be recorded in the correct fiscal year. During closeout, FINET requires entry of fiscal year and accounting period.
- Agency closing schedules are not complete until yearend bank reconciliations with reconciling items of 90 days or less are received.

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TOP-NOTES

- **Old Year CRs** - record as soon as possible but no later than **July 22, 2010**.
- **Old Year REs** - process or modify through **August 12, 2010**.
- **Old Year WOs** – will not process after July , period 12 close in old year (pending or new WOs need to be New Year).

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“CASH”

“EARNED REVENUE”

“RECEIVABLES”

“DEFERRED REVENUE”

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CASH CUTOFF FY 10 Closing

CASH

- **Payments by currency, checks, or electronic transactions including credit or debit cards, electronic funds transfer, or any type of electronic payment.**

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CASH CUTOFF FY 10 Closing

Old Year Cash

- Received by an agency on or before the end of the day on June 30
- Regardless of when deposited in the bank
- Includes receipts in satellite offices or by personnel out in the field.
- For electronic transactions, transaction processed by your agency or on your agency's website.

New Year Cash

- Received on or after July 1

It is critical that cash be recorded in the correct fiscal year.

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REVENUES FY 10 Closing

EARNED REVENUE

When revenue is “earned” depends on what kind of revenue it is . . .

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REVENUES FY 10 Closing

“Earned” Revenue

Exchange Transactions

Examples are licensing fees, inspection fees, and sales of publications.

Revenue is earned when the goods or services have been provided or license has been issued.

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REVENUES
FY 10 Closing

“Earned” Revenue

Imposed Revenues

Examples are fines and forfeitures.

Revenue is earned when an enforceable legal claim has arisen.

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REVENUES
FY 10 Closing

“Earned” Revenue

Federal grants, other grants, and donations

Revenue is earned when all stipulations and eligibility requirements made by the grantor or donor have been met.

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REVENUES
FY 10 Closing

“Earned” Revenue

Taxes on earnings or consumption

Examples are sales taxes, personal and corporate income taxes, and motor fuel taxes.

Revenue is earned when the underlying transaction takes place, such as when the income is earned or when the underlying goods or services are received or provided.

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REVENUES
FY 10 Closing

Old Year Revenue

Revenue **“earned”** by the end of the day on June 30, **regardless** of when the cash is received.

New Year Revenue

Revenue **“earned”** on or after July 1, **regardless** of when the cash is received.

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RECEIVABLES
FY 10 Closing

RECEIVABLES

“Receivables are recorded when the State has rights to an asset that has not been received.”

“As a general rule, the recognition of receivables is tied to the recognition of revenue.”

(FIACCT 06-00.01)

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DEFERRED REVENUE
FY 10 Closing

Two types:

Unearned Deferred Revenues

- Monies or assets have been received before the revenue has been **earned**.
- The provider or legislation will not allow the monies or assets to be used until the next fiscal year.

Unavailable Deferred Revenues – Governmental funds

Revenue earned by June 30 but not expected to be collected until after August 12, 2010 (or in the case of Federal revenues, not until after June 30, 2011).

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Reminders & Guidelines for the Close Out Process

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REVENUES, RECEIVABLES, and CASH CUTOFF FY 10 Closing

Receivable and Cash Receipt Policies

- The regular Federal cash management transaction dates apply at yearend:
 - If the RE is to a federal customer using a federal revenue code, the **transaction date** should be the date the funds were requested.
 - The **transaction date** on CR that references the RE should be the date the funds were received.

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REVENUES, RECEIVABLES, and CASH CUTOFF FY 10 Closing

Old year CR, new year NSF – The yearend process is different:

If amount is less than \$20,000:

- In new year, process a **negative CR** to correct cash in new year.
- In new year, process an RE for the amount of the NSF plus the NSF service charge.

Why? Minimize changes to old year FINET cash balance and its related impact on bank recon's.

If amount is \$20,000 or more – contact Gary Morris (801-538-3371).

(Use the normal NSF process if CR and NSF occur in the same year.)²¹

REVENUES, RECEIVABLES, and CASH CUTOFF FY 10 Closing

Receivable Policies

- At yearend only, for old year revenue that has been **earned, but cannot yet be billed** or for a new year CR or RE that **includes both old and new year revenue**
- Record the old year revenue on a JVYE document entered from a "Accounts Receivable" form (FI-61AR).

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DEFERRED REVENUE FY 10 Closing

Deferred Revenue Policies

- **All cash received by June 30, 2010 should be recorded in FINET as Old Year Cash.**
- If this cash includes New Year revenue, record this deferred revenue for new year on a JVYE document entered from a "Deferred Revenue" form (FI-61DR).

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PLEASE NOTE

Training for creating and entering a yearend JVYE type transaction is taught in a separate session

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Examples

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REVENUES, RECEIVABLES, and CASH CUTOFF FY 10 Closing

• Important Questions

- In what fiscal year was the cash received?
- In what fiscal year was the revenue earned?

• Applying the Answers...

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Important Questions:

- In what fiscal year was the cash received?
- In what fiscal year was the revenue earned?
- An agency earns federal revenue on June 25. Because of the federal customer's billing requirements, a "draw down" request could not be made until June 30. The federal funds are received July 1.

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- Revenue earned Old Year. Record the revenue on an **Old Year** RE document with a transaction date of June 30 (**the date the federal funds were requested**).
- Payment received **New Year (July 1)**. Process a **New Year** CR document that references the RE with a transaction date of July 1 (**the date the federal funds were received**).

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Important Questions:

- In what fiscal year was the cash received?
- In what fiscal year was the revenue earned?
- Labor Commission inspects a company's boiler on June 1. On June 29, the payment of \$250 is received and deposited. After 2 attempts at processing the check, the bank returns it as non-sufficient funds on July 7.

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Key: Old year CR (cash received June 29)
but new year NSF

Only at yearend and NSF for less than \$20,000:

- In new year, process a **new negative CR** to correct cash in new year.
- In new year, process a new RE for the amount of the NSF plus the NSF service charge.

(Use the normal NSF process if CR and NSF occur in the same year.)

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Important Questions:

- In what fiscal year was the cash received?
- In what fiscal year was the revenue earned?

Human Services bills on July 9 a customer for services that occurred between June 29 thru July 8. The customer pays the full amount on July 16.

New year cash BUT revenue earned in both years.

Use the "Accounts Receivable" (FI-61AR) to accrue the old year (June 29 -30) portion of the billed revenue.

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Important Questions:

- In what fiscal year was the cash received?
- In what fiscal year was the revenue earned?

Natural Resources receives payments during June of \$25,000 for camping reservations for the week of July 4.

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- **Old Year Cash**
- **Revenue is earned new year** when the goods or services are provided (July 4).
- This is an unearned deferred revenue
- Record this deferred revenue at yearend on a JVYE document entered from a "Deferred Revenue" form (FI-61DR).

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Unavailable Deferred Revenue example:

- An agency bills a non-Federal customer for services. When paid, it is recorded into the General Fund. In the past, this customer has routinely taken 60 days to pay. The June 2010 RE billing was sent June 22 and the agency expects collection about August 22.
- Because the agency does not expect collection until after the August 12 close out, this is an unavailable deferred revenue.
- Contact Gary Morris at 801-538-3371.

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RE Exempt Agencies

- Summarize and record receivables and earned revenues as of June 30, 2010.
- Reconcile FINET to your receivable accounting system.
- Record old year receivable activity on an old year IDT.
- Record allowance for doubtful accounts as needed.
- Coordinate write-offs with OSDC.

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FINET Help Desk
801-538-9690

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In conclusion . . .
The two most important points

- **It is critical that cash be recorded in the correct fiscal year.** During closeout, FINET requires entry of fiscal year and accounting period.
- Agency **closing schedules are not complete until yearend bank reconciliations** with reconciling items of 90 days or less are received.

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Questions



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